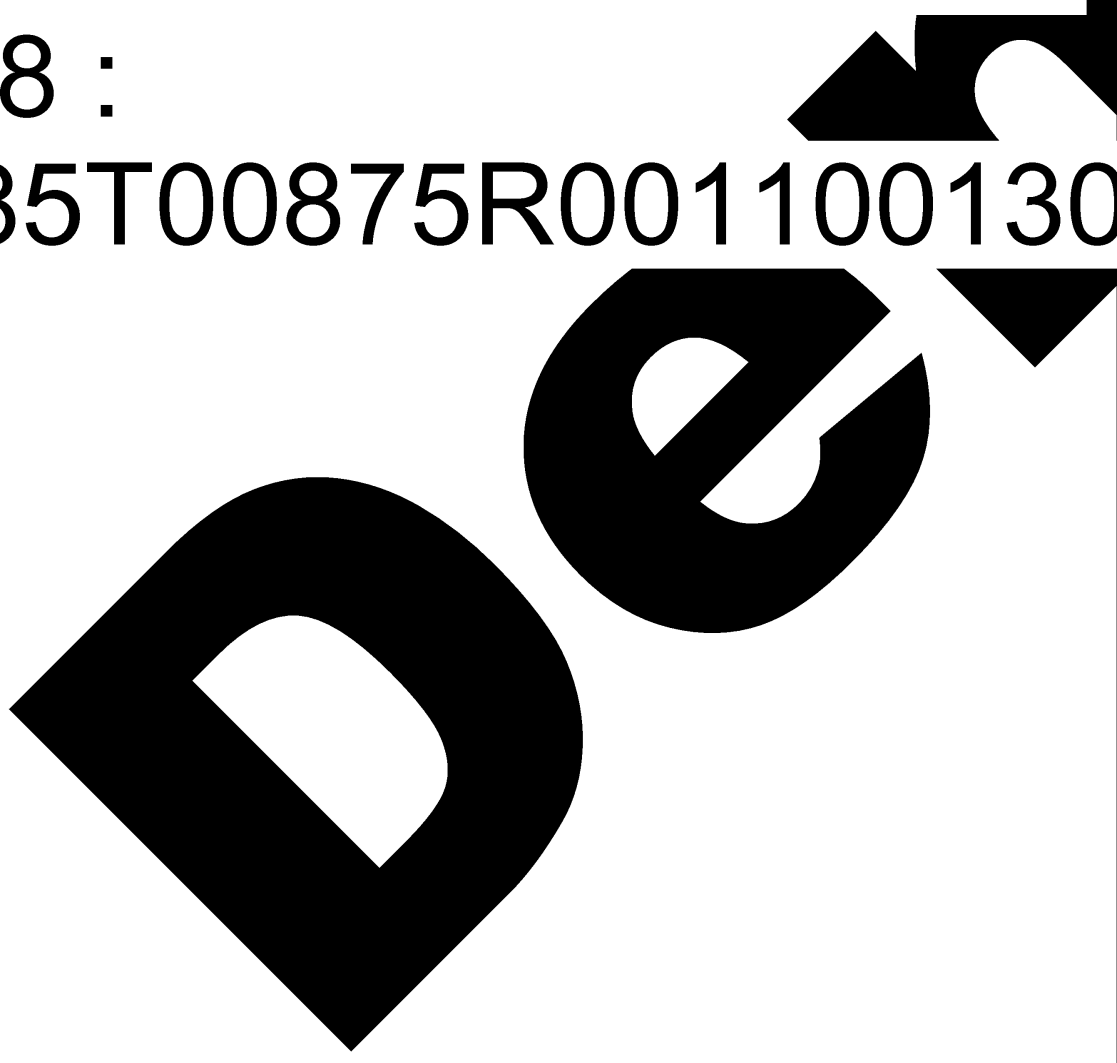

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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

China and Japan: Breaking the Logjam

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
14 February 1972

INTELLIGENCE MEMORANDUM

China and Japan: Breaking the Logjam

Since the Communists came to power on the China mainland in 1949 relations between Tokyo and Peking--like those between Washington and Peking--have been difficult and frequently bitter. The logjam that has characterized Sino-Japanese relations, however, is beginning to break. Peking chose 1971--the year it opened doors through "ping-pong" diplomacy and was received into the United Nations--to mount a carefully orchestrated campaign to convince the Japanese that the time was ripe to come to terms with China.

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Procedural and substantive differences remain, but the question now appears to be when, rather than if, Sino-Japanese diplomatic ties will be re-established after a hiatus of over three decades.

Peking's reasons for seeking a reconciliation are clear. The Chinese feel that the power patterns of the past two decades in East Asia are

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changing and that they have a good chance of pressuring Japan into breaking diplomatic ties with Taiwan and recognizing Peking as the sole legitimate government of China. This, they apparently reason, would have significant reverberations throughout Asia since Japan is both the region's most industrially advanced nation and Taiwan's most powerful Asian ally. Furthermore, the Chinese probably believe that if Tokyo recognizes Peking pressure on Washington to follow suit will increase.

In addition to the short-term goal of furthering the Chinese Nationalist's diplomatic isolation--and thus, perhaps, hastening the day when Taiwan will once again come under Peking's control--Chinese policy must come to grips with an emerging diplomatic environment characterized by shifting alignments, fragile alliances, and a growing emphasis on regional--rather than global--affairs. In such a world, Peking would see obvious advantages in establishing formal lines of diplomatic communications with Japan--the most economically advanced nation in Asia and potentially its strongest military power. Diplomatic ties open the possibility of settling disputes within "normal" channels, and a pattern of cooperation might be possible in instances where the interests of Japan and China converge. Moreover, Peking would like to put itself in a better position to blunt Soviet efforts to draw Japan closer to Moscow.

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While attention has focused on Peking's maneuvers and on the drama of the "China mood" in Japan, Peking and Tokyo have each taken concrete steps in private to lay the groundwork for future ties.

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After President Nixon's trip to Peking, movement toward improved Sino-Japanese relations is likely to speed up, and talks aimed at normalization could open before the close of 1972.

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The Long Road Back

1. Japan's attack on the mainland in the 1930s led to the severance of diplomatic relations between Imperial Japan and Republican China. A peace treaty with Nationalist China was signed in 1952 after the Nationalists had been driven from the mainland, but a theoretical state of war exists between Tokyo and the Peoples Republic of China.. The absence of a peace treaty and diplomatic relations between China--the largest and most populous nation in Asia--and Japan--the most highly industrialized and economically advanced country in the area--has been a persistent problem for both for over two decades.

2. Although there were overtures aimed at expanding trade during the 1950s, the first concerted attempt to move toward normalization of Sino-Japanese diplomatic relations came in the early 1960s. Peking, still suffering from the adverse domestic effects of the Great Leap Forward and seeking an adequate diplomatic response to the widening rift with Moscow, made a number of gestures toward the non-superpowers of the "intermediate zone," a category in which the Chinese included European countries as well as Japan.

3. The most important result of this policy was the first Sino-Japanese Memorandum Trade Agreement in 1962. Although it was the fifth "private" trade agreement between Peking and unofficial Japanese trade representatives since 1949, it was the first to make real progress toward placing Sino-Japanese trade on a more permanent basis. In late 1963 and early 1964, Peking followed up on the agreement by proposing that trade offices be opened in Peking and Tokyo and that newsmen be exchanged. The Chinese also proposed that the number of cultural exchanges be doubled and that commercial air links be established. Along with these proposals, the Chinese began an aggressive campaign to expand trade, including offers to purchase entire industrial plants from Japan. Between 1963 and 1964, total trade with Tokyo more than doubled.

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4. In order to fan the "pro-China" mood that was developing in certain Japanese circles as a result of rapidly increasing trade and also of France's recognition of Peking in January 1964, Chou En-lai announced in May 1964 that he favored the normalization of Sino-Japanese relations after "50 disagreeable years." He added that talks should open at the ambassadorial level in a third country where both countries had embassies. Soon thereafter, Mao himself offered a sweetener by saying that Peking supported Japan's claim to several small islands in the Kurile chain in the northern Pacific, occupied by the Soviet Union since the close of World War II.

5. These statements, however, were probably mostly for the record. Peking continued to show more interest in left-wing political figures and parties operating at the fringe of Japanese politics than in the movers and shakers of the ruling Liberal Democratic Party. In fact, the Chinese were almost certainly far more concerned about the economic side of a relationship with Japan than they were about formalizing diplomatic relations. At the time, China was groping its way out of the disastrous Great Leap Forward and needed all the economic and technological sustenance Japan could and would provide. Peking was in a mood to overlook political differences to get it.

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Soon after taking office in 1960, the late prime minister Ikeda enunciated a "forward looking" China policy based on taking "one step at a time." In early 1964, he finally approved Export-Import Bank financing for the sale of a complete vinylon plant to the mainland. For the conservative wing of the ruling party and the Chinese Nationalists in Taipei, this was one step too far.

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8. Well into 1965 the Chinese issued ritualistical calls for ambassadorial-level talks even as chances for such a development grew dimmer as the Vietnam War escalated.

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By mid-1965, Peking was steadily denouncing the "Sato gang" as the "number-one hatchetmen" for the US in Asia.

9. Sino-Japanese relations, already soured by the Vietnam War, deteriorated still further during the period of the Cultural Revolution in China. The general withdrawal of China from normal diplomatic intercourse was accompanied by especially virulent attacks on Japan. By supporting radical-left student groups in Tokyo, by allowing Red Guards to disrupt intercultural exchanges, and by permitting the harassment and imprisonment of Japanese newsmen and businessmen, the Chinese allowed their image and assets in Japan to fall to a post-war low.

10. By late 1969, Peking had begun to emerge from the diplomatic isolation of the Cultural Revolution, but there was no immediate move to improve Sino-Japanese relations. The Nixon-Sato communiqué of November 1969 introduced a new element of uncertainty and tension. Peking blasted the communiqué (which said that the security of Nationalist China was "most important" to Japan's security) as proving that the US was grooming Tokyo to be both Washington's "gendarme" in the Far East and the new patron of Nationalist China. Throughout 1970, Peking's propaganda hammered at the theme that the revival of militarism in Japan was inevitable and that Japan was set on a course of economic and military domination throughout Asia. This line was undoubtedly helpful to Peking in restoring good relations with its Communist neighbor, North Korea. It was probably of minor advantage in scoring propaganda points in those countries of Southeast Asia which had been occupied by Japan in World War II.

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Peking's Spring Offensive in 1971

11. Peking's unproductive policy was in large part a product of Chinese fears--for the future if not for the present. China had fought two wars with Japan in the past 80 years, Japan was China's natural rival in East Asia, and the Japanese economy was clearly far ahead of that of China with the gap widening. Japan presented a difficult problem for China, and in the face of it Peking tended to temporize.

12. When the Chinese finally opened their 1971 campaign to woo Tokyo, they were already well embarked on their "open door" policy of improving relations with a wide variety of states. Indeed, the Japanese campaign was almost certainly held up until a fundamental decision--to improve relations with Washington--had been taken. Once that decision had been taken, however, it was evident that Peking no longer regarded Japan as a second-rank state. Instead, the Chinese appeared ready to treat Japan as a Great Power in its own right and not simply as a surrogate of American power in East Asia.

13. Once the decision had been taken, the Chinese moved with skill and dispatch. In December 1970, they quietly ordered an easing of travel restrictions for visitors from Japan.

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[redacted] opposition did not long survive the impact of events--in particular those surrounding the famous international table tennis tournament held in Japan last March. The Chinese team attending this tournament represented the first official Chinese visitors to Japan since the onset of the Cultural Revolution; the leader of the team projected great friendliness toward the Japanese people in general and pro-China Japanese politicians in particular; and, of course, before the tournament was over the announcement had been made that the US table tennis team had been asked to visit China.

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17. While these negotiations were under way, Chou En-lai received a delegation from the Komeito, the Buddhist-based "Clean Government Party," which every year since 1967 had petitioned Peking for an invitation to China. After long discussions in Peking, a joint communiqué was issued on 2 July. In it, China's conditions for normalizing relations were precisely and publicly defined for the first time. Although two of the five conditions were subsequently dropped, three have remained. With only slight variations, they form the basis of China's policy on re-establishing diplomatic ties with Japan: 1) the Peoples Republic of China must be recognized as the sole legitimate government of China; 2) Taiwan must be recognized as an integral part of China; and 3) Japan must abrogate its 1952 treaty with Taipei.

The Japanese Response

18. In a sense, the question of normalization of relations had long been facing the Japanese Government.

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22. The seating of China in the United Nations on 25 October--on Peking's terms and over the opposition of both Washington and Tokyo--meant that

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Sato had bought no time [redacted] 25X6

24. Speaking to the press at the conclusion of the San Clemente talks on 7 January, Sato softened the impact of controversial clauses in the November 1969 Nixon-Sato communiqué which the Chinese have found objectionable. In his interpretation last month, he stated only that Tokyo would continue to consider US requests to assist countries in the area from bases in Japan. He stressed that joint communiqués were not treaties and had no validity except to express thinking at a certain period.

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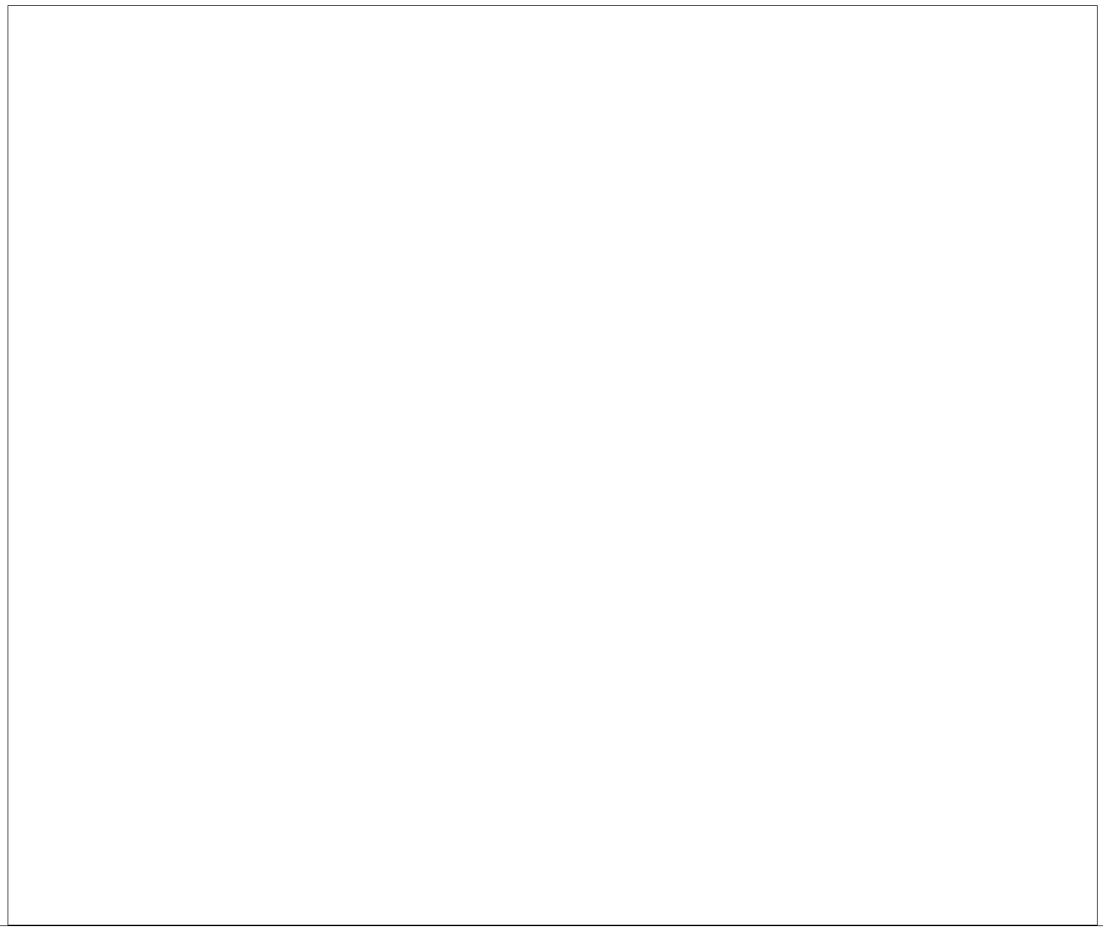

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Peking's Conditions and Expectations

29. Some of the concerns articulated by the more conservative elements within the Liberal Democratic

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Party strike a responsive chord in a fairly wide spectrum of Japanese political opinion, particularly as they relate to the conditions the Chinese may demand for recognition. [redacted] 25X6

30. This point has been a feature of the Chinese position on recognition since Peking first set forth its terms last July. There has been no public departure from this formula since [redacted] 25X1 25X1

31. This "hardening" is more apparent than real, and in fact the Chinese continue to show some flexibility as well as sensitivity to Japanese problems on the issue. [redacted] 25X1 25X1

Peking might well accept a Japanese affirmation that the UN vote had simply invalidated the treaty, which would be an easier pill for the Japanese to swallow. In his New Year's Eve address Sato used a similar line of argument to explain how the UN vote had considerably altered the situation that had prevailed

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at the time Japan agreed to the 1952 treaty. [redacted] 25X1

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32. Nor is Peking likely to introduce a new set of pre-conditions once negotiations are under way. Normalization of relations would mean that Japan would break diplomatic relations with Taipei and recognize that Peking is the sole legitimate government of all of China--including Taiwan. These actions would be a major step toward isolating Peking's historic enemies in Taiwan and would increase pressure for early US recognition. Because Peking almost certainly believes that under present circumstances the chances are good that Taipei will drift toward a de facto "two-Chinas" position to avoid an eventual solution to the Taiwan problem on mainland terms, it wants Japanese recognition as soon as possible. Indeed this is the primary motivating force behind the Chinese drive to induce Tokyo to normalize relations.

33. The Chinese cannot be sure that time is on their side with respect to the Taiwan issue. They are therefore most unlikely to raise difficult economic issues connected with Tokyo's relationship with the island until negotiations are successfully concluded. It is significant that Peking has thus far been careful not to demand that the Japanese Government adopt policies detrimental to trade relations between Tokyo and Taipei. Peking has simply put pressure on individual Japanese businesses to wind down or at least not increase their investment and trade with Taiwan, and it has not yet been really adamant even in this. The Chinese of course realize that if Tokyo breaks diplomatically with Taipei, Japanese businesses will be more hesitant to risk

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additional capital in Taiwan. Even during 1971, under the dual impact of China's stepped-up pressure on individual firms and the uncertainty resulting from the expulsion of Nationalist China from the UN, Japanese applications for new projects involving capital investment in Taiwan fell off sharply. It is new investments that most concern Peking, and after recognition the Chinese are likely to press for an end to further Japanese investment as part of a long-term war of attrition against Taipei.

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34. While the diplomatic and economic isolation of Nationalist China is a crucial goal, longer range factors also are shaping Peking's current approach to Tokyo. All of these relate to China's attempt to come to grips with the rapidly changing situation in Asia. As the US has lowered its international and Asian profile and the Vietnam War has wound down, the Soviet Union has stepped up efforts to expand its presence in Asia, and the likelihood of regional conflicts like the Indo-Pakistani war has increased. All of this portends a much more complex world than Peking has thus far confronted, a multipolar world of fragile allegiances and shifting alignments rather than the bipolar world that characterized the cold war in its classical phase.

35. Chinese paranoia on the subject of Moscow adds another ingredient to its policy toward Japan: the desire to counter growing Soviet influence in Asia in general and to stem at the outset Soviet efforts to woo Japan into a closer relationship with Moscow. Peking wants to be in a position to undermine any Soviet schemes for an "Asian Security" system and to at least have the option of trying to enlist Japan's diplomatic support in future regional disputes. The Moscow angle also influences Peking's attitudes toward the US presence in Japan. A consistent goal of Peking's propaganda over the

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past decades has been to split Tokyo and Washington, destroy the US-Japan Mutual Security Treaty, and force the US out of Asia. In a multipolar Asia, however, Peking may see advantages to a continued US presence in Japan, at least for a time

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36. In any event, Peking almost certainly believes that the relationship between Washington and Tokyo will never again be as close as it once was, and that this fact will prove a complicating one in the multipolar Asia that is now developing

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Even if the US presence in the region declines and Peking is successful in containing Soviet influence in East Asia, China will still be left facing its long-standing rival--a rival which for obvious physical reasons cannot and will not go away. In short, Peking is fanning the present "China mood" in Japan as part of a wider campaign to solve the Taiwan issue on its own terms and in order to establish contact and communication with a country which it recognizes must play a major future role in East Asia. But it can hardly expect the "China mood" to survive indefinitely in the Japanese islands, and in the aftermath of the present glow it probably expects that the interests of Japan and those of China are likely to clash more often than they coincide.

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